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## Defense Estimative Brief

### Prospects for US-China Relations (U)

#### Summary

China will continue to place a high value on its ties with the US, and share similar views on many international issues. China probably will not change its basic foreign policies in ways that will damage US strategic interests.

US-China relations will remain basically stable and cordial. Most Chinese leaders are generally pleased with the progress achieved to date in economic, technological and trade relations. They believe that the relationship can and should continue to improve.

In the US-China military relationship, China will continue to emphasize the transfer of military technology and limit other aspects of the military relationship. China's recent actions forcing the cancellation of the US Navy ship visit could have a negative effect on the pace of US-China technology cooperation, although there will not likely be a reversal of direction.

On the Taiwan issue, the Chinese are increasingly worried that no progress is being achieved, and may increase pressure on the US to reduce arms sales. However, the Chinese probably will not want the Taiwan issue to impede overall relations with Washington.

The existing US-China relationship will not be basically altered by the likely improvement of Sino-Soviet relations. The Chinese do not desire a fundamental change in Sino-Soviet relations. Beijing will continue to view the USSR as its primary external threat. Therefore, China will continue to pursue an independent role within the US-China-USSR strategic triangle.

## DISCUSSION

1. The State of the Relationship. Over the past two years US-China relations have improved steadily, and are generally characterized by stable, cordial interaction. This improvement has been the result of two principal factors: China's desire to obtain technical assistance for its modernization program and US willingness to provide it. The mood is generally optimistic, with problems being addressed by both sides in a realistic, businesslike manner.

- Bilateral trade is increasing,
- An agreement was recently reached on a program promoting private US assistance to China's industrial renovation,
- Discussions are underway on non-nuclear energy projects,
- Some 15,000 Chinese students are studying in the United States, and
- Chinese scientific, technical, and industrial delegations are visiting the United States in increasing numbers.

2. Despite disagreements over the pace and scope of relations with the United States, most Chinese leaders believe these ties can and should continue to improve and develop in the future. They appear generally pleased with the progress to date in economic and trade relations, and in technology transfers. They are pressing the United States for further expansion of trade, technology transfers, and direct investments in China.

3. Problem Areas. However, since early this year Chinese government dissatisfaction with the lack of progress on the China-Taiwan reunification issue has resurfaced. Although Beijing generally has been content to leave the Taiwan issue in the background and maintain its position in principle, Chinese leaders have shown signs of increasing frustration with Taiwan's failure to respond to Beijing's reunification proposals. They assert that the continuation of US arms sales and other forms of support to Taiwan is perpetuating the status quo. Anxious for signs of change in Taiwan's position, China's leaders have even suggested that the United States use its influence to move the reunification process forward. Moreover, Chinese Party leader Hu Yaobang has recently alluded to China's option to use force in resolving the issue.

4. Several minor irritants also have the potential to impede continued progress in overall relations. If relations were to sour, these could become more difficult to manage.

[REDACTED]

-- The Chinese claim the US position requiring a formal guarantee of non-proliferation prevents implementation of the bilateral nuclear accord initialed in May 1984. They regard the US position as an infringement of Chinese sovereignty. Moreover, they contend that US reluctance to implement the accord after a year of discussion is tantamount to an unwillingness to assist China in this important area.

-- The Chinese are concerned about the growing overall trade imbalance favoring the United States, and continue to charge the United States with applying discriminatory textile quotas.

5. [REDACTED] The Military Relationship. In the military realm, US-China interaction is becoming sufficiently routine that continued progress in the overall military relationship probably will not depend on the success or failure of any one program. US-China military relations have broadened substantially over the past two years, driven primarily by the US willingness to transfer military technology to China. Contacts not related to technology matters have included the continuing exchange of high-level visitors and other delegations. Progress in the military relationship was especially rapid following Secretary of Defense Weinberger's visit to China in September 1983, and enthusiasm ran high early in 1984, when initial steps were taken in a program to upgrade China's military capabilities in several areas of ground and air defense. The momentum continued through late last year, when the program was expanded to include naval assistance.

6. [REDACTED] The military relationship with China remains generally on track. The programs to upgrade China's artillery ammunition, provide China a new antisubmarine warfare torpedo (Mark 46 Mod 2) and modernize the F-8 interceptor are progressing steadily. Chinese leaders have expressed repeatedly their concern at the slow pace of the F-8 program, suggesting that they are anxious for this program to proceed. Other aspects of naval assistance--such as improvements to China's antisubmarine warfare capabilities and the sale of the Phalanx close-in weapon system--are still under discussion. However, negotiations for the coproduction of the I-TOW antitank guided missile have stalled and no further progress appears likely before next year, primarily because of bureaucratic indecision and disagreements over the terms and conditions of technology transfers.

7. [REDACTED] China's actions forcing the cancellation in May of the planned US Navy ship visit to Shanghai could have a negative effect on the pace of US-China technology cooperation, although there probably will not be a reversal of course. While a direct linkage between the ship visit and other aspects of the military relationship does not necessarily exist, the planned visit would have been a symbolic expression of the progress in US-China security relations.

8. [REDACTED] Although Chinese defense officials who supported the ship visit are now trying to reinstate it, the issue probably will not be resolved quickly because a decision will be required at the highest levels of the Chinese government. Until the ship visit issue is resolved, rapid progress in other US-China military programs could be slowed. Still, the atmosphere of US-China military-to-military contacts remains good, with several high-level visits and exchanges scheduled for the summer and fall. The Chinese continue to seek rapid progress in technology transfer programs.

9. [REDACTED] The Future of the Relationship. We judge that overall US-China relations will remain basically on course for the foreseeable future. The relationship will reflect Chinese judgments about the value and importance of maintaining access to US economic and technological assistance, and will also hinge on their judgments about broad strategic issues, such as Sino-Soviet relations.

10. [REDACTED] Strategic Realities. We believe that China's strategic realities will remain unchanged and that Beijing will continue to view the USSR as its primary external threat. Thus, we expect Beijing will continue to cite its three obstacles--Soviet presence in Afghanistan, Soviet support to Vietnam, and Soviet forces along the border and in Mongolia--as impediments to a basic improvement in Sino-Soviet relations. We believe Moscow will remain reluctant to make any significant concessions in these areas. The Chinese probably do not foresee, or desire, a fundamental change in Sino-Soviet relations.

11. [REDACTED] We believe the Chinese will continue to perceive a linkage between US-China relations and China-USSR relations. China will continue to seek a flexible position, with a degree of independence, within the US-China-USSR strategic triangle and avoid too close an identification with Washington. Beijing will attempt to maintain its leverage over both superpowers, and will avoid too close an alignment with either. Thus, we believe that Beijing will be content to limit some highly visible aspects of a US-China military relationship, partly because of its calculations about the prospects for Sino-Soviet relations.

12. [REDACTED] Given China's perception of its proper position in the strategic triangle, the military and civilian leadership in Beijing will be reluctant to establish an explicit strategic relationship with the US. Beijing will eschew significantly closer security ties, and specifically avoid a military relationship that goes much beyond the military technology transfer aspects. Although some Chinese military officials are eager to promote military technology transfers and fully appreciate the significance of meeting US requests for more extensive military relations, we believe that high-level policy decisions on broad national interests are driving the pace of military relations.

13. Internal Factors. An additional factor that will contribute to bureaucratic delays affecting the progress of US-China military programs is the increasing tension now evident among China's top leaders, generated in part by apprehensions over impending leadership changes, including the forced retirement of many elderly leaders.\* This tension will undoubtedly be reflected in some increased criticism of the government's reform program, including its open-door policy toward the West, and particularly toward the US. We expect that the government will respond to such criticism by adjusting its US military ties to reflect China's "independent" foreign policy.

14. Moreover, Chinese government leaders will also be reacting to internal party pressures generated by the evident lack of progress on the Taiwan issue. Although the Chinese probably will not want the Taiwan issue to impede overall relations with Washington, Beijing nevertheless may increase its pressure on the United States to exert influence to promote negotiations for the reunification of Taiwan.

15. Implications for the United States. We expect that China will continue to promote good overall relations with the United States for the remainder of this year, while seeking constructive solutions to specific problems. Chinese leaders will continue to press the United States for further concessions that will benefit China. For example, the Chinese will continue to urge the United States to expand its imports of Chinese products and to place less emphasis on selling to China, promote more investments in China in support of China's industrial modernization, and take the initiative in eliminating bottlenecks hindering technology transfers.

16. In the military relationship, we believe the Chinese will continue to place primary emphasis on the transfer of military technology and will continue to limit other aspects of the military relationship, especially those that are highly visible. Scheduled high-level visits probably will occur, and US assistance in a few areas involving technology transfers--such as artillery ammunition and naval torpedoes--probably will proceed uninterrupted. Nettle delays probably will occur, however, in negotiations on other military technology transfer programs.

17. Minor improvements in Sino-Soviet relations--such as expanded trade, technology, cultural, and sports exchanges--will not fundamentally alter the existing US-China relationship. China will continue to place a high value on its ties with the West, especially with the United States and Japan, for their contributions to China's modernization program. Worldwide, China will continue to share similar opinions with the United States on

\* These changes are the subject of a forthcoming DIA DEB.

[REDACTED]

many international issues, but also will disagree on many, especially those involving Third World concerns.

18. [REDACTED] The Taiwan issue will remain a bellwether of potentially serious problems in US-China relations. We believe that China will increase its pressure on the United States to demonstrate good faith by reducing arms sales to Taiwan more rapidly, thus influencing Taipei to show some flexibility toward Beijing's reunification proposals. However, we expect Beijing will seek to avoid impeding continued progress in key technology transfer programs and other forms of US assistance to China's modernization. However, if the Chinese were to observe significant US actions violating the agreement to reduce arms sales to Taiwan, such as a sale of an advanced fighter, Beijing would react more harshly, even at the risk of damaging the overall relationship. Otherwise, China probably will not change its basic foreign policies in ways that will damage US strategic interests.

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